

# GOVERNMENT OF THE DISTRICT OF COLUMBIA



OFFICE OF THE INSPECTOR GENERAL

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May 24, 1999

The Honorable Anthony A. Williams  
Mayor of the District of Columbia  
One Judiciary Square  
441 4<sup>th</sup> Street, N.W., Suite 1100  
Washington, D.C. 20001

**SUBJECT:** Management Implication Report on Confidential Statements of  
Employment and Financial Interests (MIR No. 99-001)

Dear Mayor Williams:

The purpose of this Management Implication Report is to advise you of an internal control weakness in detecting and resolving conflicts and the appearance of conflicts of interest of District employees. A finding in a recently completed audit and observations in an ongoing audit provide reasons to believe that the weakness may be systemic to District agencies and departments. The District of Columbia Personnel Manual (DPM), Chapter 18, requires employees to disclose their employment and financial interests by May 15<sup>th</sup> and agencies to review the disclosures by June 15<sup>th</sup>.

In a recently completed audit, none of the employees had filed a Confidential Statement of Employment and Financial Interests (DC Form 35) for calendar year 1998, and the Agency had not appointed an ethics official as required by the DPM. In response to the audit, that Agency initiated positive steps to correct the conditions.

During an ongoing audit of another Agency, we observed that the employees were required to file the disclosure forms. However, the process was ineffective in detecting or resolving conflicts or the appearance of conflicts of interest for the following reasons:

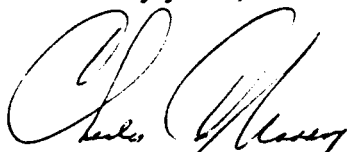
- The instructions for filing DC Form 35 were complicated, and the form contained inconsistent language concerning the nature of the required information. For example, the instructions at the top of the form required information about employment and financial interests "for you [the employee] and members of your immediate family." However Part I of this form specifically stated: "List the names of all business enterprises ...with which **you** are connected as an employee...." (Bolding added). In contrast, Part II refers to "your immediate household."

- We believe the intent of the DC Form 35 is to elicit information regarding the employee as well as the employee's immediate family for all parts of the form. However, employees rarely understood the requirements of the disclosure process and did not fully disclose employment and financial interests of their own, that of their spouses, and other household members.
- When interests were disclosed, the reviewing official determined no conflict existed without obtaining additional information to make an informed judgment. For example, when an employee disclosed the ownership of rental property, the reviewer did not determine to whom the property was rented yet concluded that no conflict appeared to exist.
- The Agency had no system to ensure existing employees and new hires who filled a position subject to disclosure filed the disclosure statement within the ten days required by the DPM. An individual may be subject to the ten-day filing requirement when the individual is promoted, transferred, hired, or the agency reclassifies the individual's position as subject to filing the disclosure statement.

When notified of the control weaknesses we observed, the Agency immediately took positive action that should correct, and preclude recurrence of, the conditions we observed.

This Management Implication Report provides Agency Heads with information about conditions that may exist in their agencies. It is my hope that Agency Heads will now have the information necessary to detect and correct similar conditions should such conditions exist in their own agencies. If you have questions about this Management Information Report, please call me at 727-2540 or call John N. Balakos, Assistant Inspector General for Audits, at 727-0749.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Charles C. Maddox".

Charles C. Maddox, Esq.  
Interim Inspector General

cc: District of Columbia Financial Responsibility  
and Management Assistance Authority  
District of Columbia Councilmembers  
Agency Heads